

DEPARTMENT OF FINANCIAL INSTITUTIONS
MINUTES OF MEETING
OCTOBER 13, 1994, 10:00 AM EST

The Members of the Department of Financial Institutions met at 10:00 a.m., EST, at 402 West Washington Street, Room W-066, Indianapolis, Indiana, on Thursday, October 13, 1994. Members present were Messrs. Mark Hasten, Chairman, presiding, W. Paul Wolf, Tony Zaleski, Norman Lowery, and Ms. Dee Godme. Also present from the Department were Charles W. Phillips, Director; Kirk J. Schreiber, Bank Analyst; Eric Roberts, Bank Analyst; Randall L. Rowe, Bank Supervisor; James M. Cooper, Deputy Director, Depository Institutions; J. Philip Goddard, Deputy Director, Non-Depository Institutions; Mark K. Powell, Supervisor, Credit Unions; and Janice L. Davis, Administrative Assistant. Messrs. Grant and Leitch were absent.

I. EXECUTIVE SESSION

- A.) A review of the examination information on Gateway Bank, LaGrange, LaGrange County, Indiana.

This information is confidential as provided in IC 28-1-2-30. This aspect of the Executive Session is authorized by IC 5-14-1-5.6(a)(6).

I. PUBLIC SESSION

- A.) Attendance
- B.) Date of next meeting: November 10, 1994, at **9:00** a.m. EST.
- C.) Approval of the minutes of the meeting held September 8, 1994. A motion was made for approval of the minutes by Mrs. Godme and seconded by Mr. Lowery. The minutes were unanimously approved.

DIVISION OF BANKS AND TRUST COMPANIES

A.) INDIANA FEDERAL CORPORATION, VALPARAISO, PORTER COUNTY, INDIANA

An application was filed August 25, 1994, by Indiana Federal Corporation, Valparaiso, Indiana, for a change in control of NCB Corp., Culver, Indiana and its wholly owned subsidiary, Norcen Bank, Culver, Indiana, pursuant to IC 28-1-2-23.

Indiana Federal Corporation is a one savings and loan holding company which owns 100% of the stock of Indiana Federal Bank for Savings, Valparaiso, Indiana, a federal savings bank. Indiana Federal Corporation proposes to acquire Norcen Bank by merging it with and into Indiana Federal Bank for Savings.

As a part of the transaction, NCB Corp. and Norcen Bank will momentarily become wholly-owned subsidiaries of Indiana Federal Corporation and thus the reason for the change in control filing.

Indiana Federal Corporation does not plan to operate Norcen Bank as a separately controlled entity and will not go forward with the proposed transaction unless the merger between Norcen Bank and Indiana Federal Bank for Savings can be consummated. The Department's review of the proposed transaction is only cursory and does not necessitate an in depth investigation because the change in control will exist only momentarily.

Approval is recommended upon the conditions that: 1) the proposed transaction is consummated under the terms specified in the Agreement and Plan of Merger and Reorganization dated April 21, 1994; and 2) Indiana Federal Corporation, Valparaiso, Indiana, will not operate NCB Corp., Culver, Indiana and Norcen Bank, Culver, Indiana as separate entities.

A motion for approval was made by Mr. Wolf and seconded by Mr. Lowery. The application was

unanimously approved.

B.) THE CITIZENS STATE BANK, WILLIAMSPORT, WARREN COUNTY, INDIANA

The Citizens State Bank, Williamsport, Indiana and Bank of Western Indiana, Covington, Indiana propose to effect a merger pursuant to IC 28-1-7 with Citizens Bank surviving the merger. As a result of the Bank Merger, Citizens Bank's main office will become a branch and BWI's main office will become the main office of the surviving bank. All branch offices of BWI will become branch offices of the surviving bank. The name of the resulting institution will be "Bank of Western Indiana", Covington, Indiana and the bank will operate under the Articles of Incorporation and By-Laws of Citizens Bank. Citizens Bank is a wholly-owned subsidiary of Old National Bancorp, Evansville, Indiana and BWI is a wholly-owned subsidiary of Western Indiana Bancorp, Covington, Indiana.

Resolutions authorizing the proposed transaction were adopted by the Board of Directors of Citizens Bank and BWI on July 22, 1994, and July 25, 1994, respectively. At the effective time of the Bank Merger, all rights, franchises and interests of the individual merging banks will be transferred to and vested in the "Surviving Bank". In addition, all liabilities of BWI will be assumed by the Surviving Bank. All outstanding shares of BWI common stock will be cancelled at the effective time of the Bank Merger.

Immediately following the Bank Merger, Western Bancorp will be merged into and under the Articles of Incorporation of Covington Merger Corporation. Covington Merger Corporation was incorporated on September 27, 1994. The Merger Corporation will survive the Company Merger. The name of the surviving corporation will be "Covington Merger Corporation". Covington Merger Corporation will not be a bank holding company and will likely be dissolved after the transaction is consummated.

Upon the effective time of the Company Merger, each issued and outstanding share of Western Bancorp common stock will be converted into the right to receive 16.59 shares of ONB common stock. Western Bancorp has 30,834 shares of common stock issued and outstanding. No fractional shares of ONB common stock will be issued. Each shareholder of Western Bancorp who would otherwise have been entitled to a fraction of a share will be paid cash. As of October 5, 1994, the market value of ONB's common stock is \$36.50 per share which is 2.19x book value. Western Bancorp's tangible book value per share is \$314.13 as of June 30, 1994. The market value of the consideration payable to Western Bancorp shareholders is \$605.54 per share and represents 193% of the tangible book value of Western Bancorp as of June 30, 1994.

IC 28-1-11-5(b) limits the investment a bank may make in real estate and buildings used for the convenient transaction of its business to 50% of such bank's sound capital. As of 6/30/94 on a proforma basis, investment in land, building, and leasehold improvements represent 21.66% of sound capital.

The resulting bank will have total assets of \$116.0 million and total equity capital of \$14.3 million. It will have an adequate Tier 1 capital ratio of 11.37%.

The contemplated reorganization will not alter the competitive structure of the banking markets involved.

Lee Williams, President and CEO of BWI will be the President and CEO of the resultant bank; and Russell L. Hiatt, President and CEO of Citizens Bank will be a Vice President of the resultant bank.

Approval is recommended by the staff.

A motion for approval was made by Mr. Zaleski and seconded by Mrs. Godme. The application was unanimously approved.

C.) GAB BANCORP, JASPER, DUBOIS COUNTY, INDIANA

Mr. Kirk J. Schreiber, Bank Analyst, presented the application of GAB Bancorp (GAB) to acquire

100% control of First State Bank, Southwest Indiana, Tell City, Perry County, Indiana (Southwest) pursuant to the provisions of IC 28-2-14. GAB has entered into a Purchase and Assumption Agreement with Regional Federal Savings Bank, New Albany, Floyd County, Indiana (Regional Federal), whereby, GAB will purchase assets and assume liabilities of three branches of Regional Federal. The three branches are Tell City, Rockport, and Huntingburg. GAB will assign its rights to acquire the Tell City and Rockport branches to Southwest. Simultaneously with this transaction, Southwest will be incorporated as an Indiana State-chartered bank and GAB will acquire 100% of the issued and outstanding shares of Southwest. Thus, Southwest will be a wholly owned subsidiary of GAB. The statutory authority for a bank to establish a branch through a transaction with a savings association is contained in IC 28-2-13-20.5. Proforma combined financial statements reflect an adequate Tier 1 leverage capital ratio of 9.27% for GAB.

The proposed acquisition will not have an adverse effect on existing competition in the principal market area. Mr. Schreiber pointed out the fact that the statutory requirements of IC 28-2-14 concerning safety, soundness, capital, adequate management, interests of the depositors, and adequate CRA determination have all, in the opinion of the Department staff, been met. The staff recommended approval of the application.

A motion for approval was made by Mr. Wolf and seconded by Mr. Lowery. The application was unanimously approved.

D.) FIRST STATE BANK, SOUTHWEST INDIANA, TELL CITY, PERRY COUNTY, INDIANA

The application was presented by Mr. Kirk J. Schreiber, Bank Analyst. George W. Astrike, as incorporator, has applied to the Department for approval to form a State-chartered bank, to be known as "First State Bank, Southwest Indiana" (Southwest), Tell City, Indiana, pursuant to IC 28-11-5. Southwest will be a wholly-owned subsidiary of GAB Bancorp, Jasper, Dubois County, Indiana (GAB). GAB has entered into a Purchase and Assumption Agreement with Regional Federal Savings Bank, New Albany, Floyd County, Indiana (Regional Federal), whereby, GAB will purchase assets and assume liabilities of three branches of Regional Federal. The three branches are Tell City, Rockport, and Huntingburg. GAB will assign its rights to acquire the Tell City and Rockport branches to Southwest. Southwest will operate the Tell City office as its main office and the Rockport office as its branch. The executive officers of the proposed bank will be Clay W. Ewing, President, and Grant Taylor, Vice President and Cashier. Directors of the proposed institution initially will be executive officers of GAB and German American Bank, GAB's lead bank subsidiary. It is anticipated two local directors will be added to the board of directors after the bank is organized.

Southwest is projected to have total assets of \$26,000,000, which will include \$888,000 in core deposit intangible and \$650,000 in goodwill. Southwest will have total capital of \$3,750,000. Funding for the capital of Southwest will come directly from GAB by dividends from its bank subsidiaries of \$2,500,000, by the sale of a tax anticipation warrant of \$1,000,000, and by cash from the holding company of \$250,000. GAB has agreed to maintain the capital of Southwest at all times, during the first three years, a minimum tier 1 capital to total assets of not less than 8%.

Balance sheet and income projections appear reasonable based on the assets being purchased and the liabilities being assumed and the strength of GAB. Southwest will significantly expand its product line and will be a full service commercial bank servicing the existing customer base of the Tell City and Rockport offices and the general market area residents. Southwest perceives a need in the community based on the economic

growth, stable population, and the current quality and availability of banking services within the community.

The staff of the Department has conducted a thorough investigation into the application of the proposed bank pursuant to IC 28-11-5-4, and it is the staff's opinion that: 1) the financial standing and character of the incorporator, directors, and principal shareholder is considered acceptable; 2) the character, qualifications, and experience of the officers and directors of the proposed bank is considered acceptable; 3) the convenience and needs of the community will be served by the proposed financial institution to be established; 4) the future earnings prospects

for the proposed financial institution appears to be reasonable; and 5) the proposed capital of the bank is considered adequate. Based on these findings it is recommended by the staff that the formation of this bank be approved accordingly.

A motion for approval was made by Mrs. Godme and seconded by Mr. Zaleski. The application was unanimously approved.

DIVISION OF CREDIT UNIONS

- A.) The Grain Dealers Mutual Credit Union, Indianapolis, Marion County, Indiana, has requested an approval to merge into Indiana Telco Federal Credit Union, Indianapolis, Marion County, Indiana. A motion for approval was made by Mrs. Godme and seconded by Mr. Wolf. The merger was unanimously approved.
- B.) The Indianapolis Police Department Credit Union has filed for approval to relocate its main office from 50 North Alabama Street, Indianapolis, Marion County, Indiana, to 115 North New Jersey Street, Indianapolis, Marion County, Indiana. A motion for approval was made by Mrs. Godme and seconded by Mr. Zaleski. The relocation was unanimously approved.

DIRECTOR'S COMMENTS AND REQUESTS

- A.) The Farmers and Merchants State Bank, Logansport, Cass County, Indiana
The bank has notified the Department that they have closed their branch banking office which was known as "Westside Branch" located at 611 West Market Street, Logansport, Cass County, Indiana. The office was closed on September 9, 1994, at 6:00 P.M. This item is for informational purposes only.
- B.) The Director advised the Members of actions taken pursuant to delegated authority, which were as follows:

DIVISION OF BANKS AND TRUST COMPANIES

- 1. HOME LOAN BANK, SB, FORT WAYNE, ALLEN COUNTY, INDIANA
The bank submitted an application to establish a branch banking office to be known as "Dupont Crossing." The address of the proposed branch is 720 East Dupont Road, Fort Wayne, Allen County, Indiana. This will be the applicant's 8th branch. The request was approved by the Director under Delegated Authority on October 12, 1994.
- 2. IRWIN UNION BANK AND TRUST COMPANY, COLUMBUS, BARTHOLOMEW COUNTY, INDIANA
The bank submitted an application to establish a branch banking office to be known as "Irwin Union Bank and Trust Company." The address of the proposed branch is 205 N. College Avenue, Suite 215, Bloomington, Monroe County, Indiana. This will be the applicant's 14th branch. The request was approved by the Director under Delegated Authority on October 12, 1994.
- 3. LAPORTE BANK AND TRUST COMPANY, LAPORTE, LAPORTE COUNTY, INDIANA
The bank applied to the Department for approval to amend its Articles of Incorporation pursuant to IC 28-1-6 et. seq. The amendment will allow for the bank to change its name to "Norwest Bank LaPorte." A resolution for the Amendment was adopted by the board of directors of the bank on October 5, 1994. The request was approved by the Director under Delegated Authority on October 12, 1994.
- 4. LAKE CITY BANK, WARSAW, KOSCIUSKO COUNTY, INDIANA
The bank submitted an application to establish a branch banking office to be known as "Lake City Bank Middlebury Office." The address of the proposed branch is 712 Wayne Avenue, Middlebury, Elkhart County, Indiana. This will be the applicant's 25th branch. The request was approved by the Director under Delegated Authority on September 21, 1994.

DIVISION OF CREDIT UNIONS

1. PERFECT CIRCLE CREDIT UNION, HAGERSTOWN, WAYNE COUNTY, INDIANA

A Petition for Approval of a Proposed Amendment To the Articles of Incorporation was filed. This amendment would place the following organizations into the field of membership of the credit union:

Custom Cut, Inc. - Richmond - 35 members

The Petition was approved by the Director under Delegated Authority on August 8, 1994.

2. TEACHERS CREDIT UNION, SOUTH BEND, ST. JOSEPH COUNTY, INDIANA

A Petition for Approval of a Proposed Amendment To the Articles of Incorporation was filed. This amendment would place the following organizations into the field of membership of the credit union:

D & H Enterprises, Inc. - Indianapolis - 24 members
Shooters, Inc. - Elkhart - 30 members
E.P.W., Inc. - Elkhart - 67 members
McDonald's/KADA Partnership - Mishawaka - 350 members
J.R. Fox Jewelers, Inc. - South Bend - 17 members
Family Christian Center, Inc. - Griffith - 3,200 members
World Fellowship Church - Crawfordsville - 175 members
Heritage Tool & Die, Inc. - Huntington - 3 members
Christian Corp. McDonald's - Indianapolis - 120 members
Automatic Data Processing, Inc. - Indianapolis - 188 members
Lincoln Financial Group - South Bend - 22 members
R & A Enterprises, Inc. - Greenwood - 10 members
Marshall County Board of Realtors - Plymouth - 97 members

The Petition was approved by the Director under Delegated Authority on September 6, 1994.

3. TEACHERS CREDIT UNION, SOUTH BEND, ST JOSEPH COUNTY, INDIANA

A Petition for Approval of a Proposed Amendment To the Articles of Incorporation was filed. This amendment would place the following organizations into the field of membership of the credit union:

Dr. David J. Mahoney, D.D.S. - South Bend - 7 members
MPI, Indiana Fineblanking Division - Knox - 125 members
South Side Church of God - South Bend - 102 members
AM General Corporation - South Bend - 1,650 members
Chase Transportation, Inc. - Plymouth - 66 members
Chase Leasing Corp./dba Chase NationalLease - Plymouth - 22 members
Dan's Heating - Greencastle - 5 members
Bristol Street Pediatric Associates - Elkhart - 42 members
Holm Memorial Clinic - Plymouth - 30 members
Paul-Maurice Enterprises - Indianapolis - 2 members
Modern Technology Services, Inc. - Indianapolis - 4 members
Michiana Lock & Key - South Bend - 6 members
The Midland Grocery Company - Westville - 350 members

The Petition was approved by the Director under Delegated Authority on October 3, 1994.

4. PERFECT CIRCLE CREDIT UNION, HAGERSTOWN, WAYNE COUNTY, INDIANA

A Petition for Approval of a Proposed Amendment To the Articles of Incorporation was filed. This amendment would place the following organizations into the field of membership of the credit union:

Birthday Chocolates - Greens Fork - 10 members

The Petition was approved by the Director under Delegated Authority on October 3, 1994.

5. JET CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA

A Petition for Approval of a Proposed Amendment To the Articles of Incorporation was filed. This amendment would place the following organizations into the field of membership of the credit union:

Dorsey Paving, Inc. - Indianapolis - 20 members

OneSource Environmental Contractors, Inc. - Indianapolis - 30 members

Direct Plus - Indianapolis - 4 members

Bill Estes Chevrolet Geo, Inc. - Indianapolis - 110 members

Developmental Natural Resources, Inc. - Indianapolis - 350 members

Earl Scheib Auto Painting Shop - Indianapolis - 5 members

Time Out, Inc. - Martinsville - 15 members

The Petition was approved by the Director under Delegated Authority on October 7, 1994.

6. NICKEL PLATE INDUSTRIAL CREDIT UNION, FRANKFORT, CLINTON COUNTY, INDIANA

A Petition for Approval of a Proposed Amendment To the Articles of Incorporation was filed. This amendment would place the following organizations into the field of membership of the credit union:

Phillips Saw & Tool, Inc. - Frankfort - 4 members

The Petition was approved by the Director under Delegated Authority on October 11, 1994.

DIVISION OF CONSUMER CREDIT

1. Request for a consumer loan license by Concord Financial Services, Inc. of Calumet City, Illinois. They plan to make second mortgage loans to Indiana customers using local attorneys and title companies. All references are in order. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on September 12, 1994.
2. Request for a consumer loan license by Benito Sherrod, Derrick Sherrod and Patrick Douglas. They are a partnership d/b/a Amnesty Financial Services. They will be based in Indianapolis. They plan to make small unsecured loans. All references are in order. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on September 12, 1994.
3. Request for a consumer loan license by Union Acceptance Corporation of Indianapolis. The principals of this entity are also principals of Union Federal Savings Bank. They are obtaining a loan license to make direct loans to customers who previously purchased automobiles from dealers who assigned contracts to Union Acceptance. All references are in order. It is recommended that the license be issued. The request was approved by the Director under Delegated Authority on September 12, 1994.

4. Request for a consumer loan license by Source One Mortgage of West Bloomfield, Michigan. They plan to make second mortgage loans using local attorneys and title companies. They will not have an office in Indiana. They currently operate in 34 States. All references are in order. It is recommended that the license be issued. The request was approved by the Director under Delegated Authority on September 12, 1994.
5. Request for a budget service company license by Credit Counselors Corporation d/b/a "CCC". The principals of the company currently operate budget service companies in Florida, Michigan and Ohio. All references are in order. They have met all of the requirements of the budget service act. It is recommended that the license be issued. The request was approved by the Director under Delegated Authority on September 12, 1994.
6. Request for a Pawnbroker license by Cash America Pawn of Indiana, Inc. d/b/a Cash America Pawn of Clarksville. Cash America is the largest pawnshop operator in the world with over 226 stores in eight States and 26 stores in Great Britain. Cash America stock is traded on the NYSE. The investigation of character, fitness and financial responsibility revealed no derogatory information. No objections were offered by local law enforcement. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on September 29, 1994.
7. Request for a check casher license by Check-Book, Inc. d/b/a Meridian Check Cashers. They will be based in Indianapolis. There will be just the one location. All references are in order. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on September 29, 1994.
8. Request for a consumer loan license by RMC Acquisition Corporation of Elkins Park, Pennsylvania. The principals of the corporation are also affiliated with GMAC Mortgage which is already licensed with this Department. They plan to make second mortgage loans using local attorney and title companies. It is recommended that the license be approved. The request was approved by the Director under Delegated Authority on September 29, 1994.
9. Request for approval of a Guaranteed Auto Protection (GAP) program from Stoops Buick-Toyota with Safe-Guard Products International, Inc. of Atlanta, Georgia as third party administrator. The local agent for Safe-Guard is Bruce Gaines Insurance agency. This will be a standard GAP proposal. It will include the customer's deductible up to \$500. There will be a 30 day free-look period. There will be no refund upon prepayment. The cost is \$375. They have not sold the product subject to approval by the Department.

As dealers are added to the Safe-Guard program, they will submit a letter for each dealer confirming the dealer's acceptance of the program as submitted by Safe-Guard. It is recommended that the program be approved as submitted and provided for under IC 24-4.5-2-202(1)(c). The request was approved by the Director under Delegated Authority on September 29, 1994.

CERTIFICATION

The Department certifies that the business discussed in the Executive Session was limited only to business which was set out in the Department's Notice of Meeting and Agenda under the heading Executive Session.

There being no further business to come before the Members, the meeting was adjourned.

APPROVED:

ATTEST:

Mark Hasten, Chairman

J. Philip Goddard, Secretary